

OSA-3906-64
1353

REPLY TO:
Auditor General Representative (APL)
P. O. Box 8155
S. W. Station
Washington, D. C.

31 August 1964

SUBJECT: Report on Final Audit of CPFF Subcontract
Narmco Research and Development
A Division of Whittaker Corporation
San Diego, California
Subcontract No. 009 Issued by [REDACTED]

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TO : Contracting Officer

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1. In accordance with a request from [REDACTED], an examination has been made of costs under the subject subcontract to the extent deemed appropriate. The period of performance was from 14 February 1963 through 30 June 1963.

2. The results of the examination are shown on Exhibit A attached. Related comments thereto are contained in the following paragraphs.

3. The overhead and G&A rates used by the auditor, 119% and 30% respectively, are those recommended by the cognizant audit agency (army audit) for use until such time as the fiscal year 1963 rates are negotiated. The subcontractor's comptroller, [REDACTED] indicated that these rates appear reasonable for use as final rates on this subcontract.

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4. Included in the material costs is a charge for a variable speed drive with motor #20J400-MR, in the amount of \$170. [REDACTED] advised that this item is considered to be government property and currently is being used on the follow-on work. The auditor has reclassified this item from material cost and has excluded it from the application of G&A and profit. This is subject to a determination by [REDACTED] as to whether the purchase of this item was approved in accordance with the terms of the subcontract.

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5. The amount of \$87.57 for travel expense questioned by the auditor, represents the difference between "first-class" and "coach" fare costs in April 1963. It is the subcontractor's stated policy that personnel are to travel by something less than first-class. When this matter was discussed by the auditor with the subcontractor's representative, [REDACTED] he stated that he and others prefer the privacy of first-class travel in

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order to review their documents en route. Such a practice if actually followed would appear to represent a breach of security requirements.

6. The G&A expense questioned by the auditor comprises the following:

Applicable to travel expense questioned	\$26.27
Applicable to government property re-	51.00
classified	98.64
Portion applicable to rate adjustment	<u>\$175.91</u>
Total	

7. The results of audit were discussed with [redacted] on 20 August 1964. His reaction with respect to overhead and G&A expense rates is stated in paragraph 3. He reserved opinion on the travel expense questioned and the item of government property reclassified.

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[redacted]

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Auditor General Representative (APL)

EYE CASE 45-806
20/20 RUFF 45-906

Initials Date

Prepared By

Approved By

Narmco Research and Development Division

EXHIBIT A
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Results of Examination of Costs Under

Group Number	Expense Item	Recorded		Recorded Cost Adj.		Auditor's Comparison	
		Costs 30 June 1965	In Final Ratio	FY 1963 Ratio Amount	Cost Questioned	Adjusted Ratio	Balance
1							
2	Fixed labor	\$ 56,110		\$ 56,110			\$ 56,110
3							
4	Overhead	6,745.31	119.30%	6,709.34	20.23	117%	6,689.11
5							
6	Material	279.51		279.51	170.00 *		109.51
7	Travel expense	613.49		613.49	87.57		525.92
8							
9							
10		\$ 13,759.45		\$ 13,743.47	\$ 17.98		\$ 13,745.67
11							
12	G&A	4,110.43	30.7%	4,059.61	17.591	30%	3,883.70
13							
14							
15	Total costs	\$ 17,369.88		\$ 17,283.08	\$ 453.71		\$ 16,829.37
16							
17	Fixed fee					10%	1,682.94
18							
19							\$ 18,512.31
20							
21	58						ILLEGIB- 170.00
22							
23							
24							\$ 18,682.31
25							
26							124,513
27							
28							
29							\$ 6,229.91
30							
31							

CONTRACTOR'S RELEASEContract No. AF33(600)-40274, Task 13

Pursuant to the terms of Contract No. AF33(600)-40274, T13 and in consideration of the sum of One Hundred Fourteen Thousand, Six Hundred Forty-Eight Dollars and Ninety-Four cents - - - - - Dollars (\$14,648.94) which has been or is to be paid under the said contract to

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hereinafter called the Contractor) or to its assignees, if any, the Contractor, upon payment of the said sum by the UNITED STATES OF AMERICA (hereinafter called the Government), does remise, release, and discharge the Government, its officers, agents, and employees, of and from all liabilities, obligations, claims and demand whatsoever under or arising from the said contract, except:

1. Specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the Contractor, as follows:

2. Claims, together with reasonable expenses incidental thereto, based upon the liabilities of the Contractor to third parties arising out of the performance of the said contract, which are not known to the Contractor on the date of the execution of this release and of which the Contractor gives notice in writing to the Contracting Officer within the period specified in the said contract.

3. Claims for reimbursement of costs (other than expenses of the Contractor by reason of its indemnification of the Government against patent liability), including reasonable expense incidental thereto, incurred by the Contractor under the provisions of the said contract relating to patents.

The Contractor agrees, in connection with patent matters and with claims which are not released as set forth above, that it will comply with all of the provisions of the said contract, including without limitation those provisions relating to notification to the Contracting Officer and relating to the defense or prosecution of litigation.

IN WITNESS WHEREOF, this release has been executed this 17th day of February 1964.

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WITNESSES

By

Title

(NOTE: In the case of a corporation, witnesses are not required, but the certificate below must be completed.)

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